STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS
2003

REPORT TO THE GOVERNOR AND THE GENERAL ASSEMBLY

Access to health care is a national concern. Access is not only defined by health care services being available to all citizens, but it also includes access concerns of uninsured persons, those covered by government or employer-sponsored health plans, and the legislative policies that may affect health care consumers.

The mission of the Office of Health Care Access (OHCA) is to ensure that the citizens of Connecticut have access to a quality health care system. OHCA's overall objectives are to:

- advise policy makers of health care issues;
- inform the public and the industry of statewide and national trends; and
- design and direct health care system development.

In Connecticut and the nation, the health care delivery system continues to struggle to balance quality, access and cost. Connecticut's health care providers face ongoing challenges of clinical staff shortages, declining reimbursement for services, rising expenses for advances in technology and pharmaceuticals, the cost of un- and under-compensated care, and market competition for profitable services.

The Office of Health Care Access facilitates access to quality health care by collecting and reporting Connecticut hospital data, exploring health coverage issues and by managing the Certificate of Need (CON) program for health system planning.

To advise key decision makers on health care issues and to inform the public of statewide and national trends, OHCA publishes a myriad of reports and issues briefs. It conducts research to examine health coverage issues and looks for cost effective ways to expand access to affordable health insurance coverage. OHCA gathers, verifies, and analyzes hospital financial data, which include revenues and expenses, uncompensated care volumes, and other financial information as needed. The agency also analyzes and interprets hospital utilization data to understand the capacity of and need for health care services, and administers the Certificate of Need Program, a regulatory function to assess need and to ensure access to quality services.

Major accomplishments of 2003 included a variety of published reports and issue briefs, 66 CON decisions, 121 CON determinations, 20 CON modifications, work conducted with other state agencies on innovative health coverage strategies, and legislative initiatives that support and enhance access for those in need of services. This Annual Report highlights some of these reports and projects.

In 2003, OHCA provided expertise and assistance to other agencies and committees to further efforts to restrain costs and improve the health care delivery system. The agency actively participated on the Health Care Cost Containment Committee, advanced the proposed small employer health insurance subsidy initiative in conjunction with the Department of Social Services, and participated in an interagency work group to implement the Federal Health Coverage Tax Credit in Connecticut.

ACCESS AND HEALTH INSURANCE COVERAGE

The Office of Health Care Access plays a role in measuring health insurance coverage and exploring policy options to expand access to affordable health insurance coverage in Connecticut. The agency used its 2001 Household Survey to provide an accurate picture of the magnitude and characteristics of the uninsured population in Connecticut.

Measuring the Uninsured

The 2001 Household Survey found that approximately 185,200 residents (5.6%) were uninsured. It consisted of nearly 4,000 interviews and provided a baseline for measuring changes in health insurance coverage and utilization. OHCA published several issue briefs in 2003 based on the results of its Household Survey.

Characteristics of Uninsured Workers in Connecticut revealed that over three-quarters of the state's working-age adults were enrolled in employer-sponsored plans. However, employment did not necessarily guarantee coverage – 40 percent of uninsured workers reported their employer did not offer coverage and an additional 20 percent were not eligible due to temporary or part-time status, or time on the job. This report also explored the relationship between firm size and offering coverage, with smaller firms less likely to offer coverage and employees in smaller firms sometimes paying higher premiums than those in larger firms.

Examining Insurance Coverage Among Children explored the extent of health insurance coverage for children in Connecticut. Survey results revealed that most of the state's children were insured (96 percent) and most obtained health insurance through a parent or guardian's employer (77 percent). The brief also reported that nearly all children had a regular source of primary care, and that children enrolled in HUSKY (Connecticut's State Children's Health Insurance Program) accessed health care services at a rate comparable to children with other insurance coverage.

A Look at the Intermittently Insured focused on those individuals who did not have health insurance for the entire year preceding the survey. These residents were predominantly young, unmarried and less educated. Minorities also had a higher chance of being intermittently insured, as did those with a family income under $30,000. The overwhelming majority of intermittently insured residents were gainfully employed. The brief revealed that a significant portion of the state's

population had unstable health care coverage, a situation associated with the potential for health and financial risks, since lack of coverage is sometimes associated with foregoing regular primary care or treatment for illnesses or emergencies.

The next cycle of the Household Survey will be conducted in 2004.

ACCESS AND HOSPITAL UTILIZATION AND PERFORMANCE

The Office of Health Care Access collects data on all acute care hospital inpatient discharges and analyzes and publishes reports on a wide range of hospital utilization and financial information. In 2003, OHCA published the *Hospitals' Psychiatric Discharges and Clinic Encounters* and the *Financial Status of Connecticut's Hospitals*.

Connecticut Acute Care Hospitals' Psychiatric Discharges and Clinic Encounters, SFY 2000-2002 report, released in December 2003, highlighted changes in utilization patterns of acute care psychiatric services since State Fiscal Year (SFY) 2000. Demand for acute care inpatient psychiatric services between SFY 2000 and 2002 grew by almost 20 percent for discharges and patient days. Outpatient psychiatric visits increased 10 percent.

Currently, two-thirds of the state's acute inpatient psychiatric discharges are publicly funded; the other third are privately insured. State and federal governments pay for the majority of mental health services; however, their payment and reimbursement rates are generally less than the cost of care.

Despite the evidence of growing demand for psychiatric services in the state, some hospitals and community based providers of psychiatric and mental health programs decreased bed capacity while others terminated services or closed due to low reimbursement rates.

The *Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals,* provided information regarding the financial performance of Connecticut's hospitals during FY 2001. While the 31 acute care hospitals vary significantly in size and the populations they serve, they face many of the same operating challenges. The familiar forces causing stress to Connecticut hospitals and the health care delivery system as a whole continue to include rising labor costs and insurance premiums, lower reimbursement rates, reduced investment returns, costs associated with new technology and aging population demographics.

The majority of hospital operating margins, which reflect profits from operations, primarily patient care, showed a flat to slightly improving trend. Eleven hospitals experienced negative operating margins in 2001 ranging from -0.76 percent to -12.6 percent. Nine of these eleven hospitals also had negative margins in FY 2000 and FY1999.

Total margins serve as "bottom line" for a hospital since they reflect profits from both operating revenues and non-operating revenues. Twenty-five hospitals experienced positive total margins ranging from 0.42% to over 8%. The median total margin for FY2001 was 3.1%.

Uncompensated Care

Uncompensated care represents the level of charges for which hospitals do not receive reimbursement. There are two levels of uncompensated care: (1)

when a hospital provides care knowing in advance it will not receive payment, and (2) “bad debt” which occurs when a hospital provides the care and later discovers there will be no payment.

The statewide average uncompensated care cost percentage of total expenses is 3.5%. This represents the percentage of uncompensated care expenses in relation to the total hospital expenses. This percentage has remained relatively constant from FY1999 to FY 2001.

Disproportionate Share Hospital (DSH) Program

Since the inception of the Disproportionate Share Hospital (DSH) Program in December 1991, funds have been provided to Connecticut acute care hospitals based upon each hospital's uncompensated and under-compensated care as a percentage of the statewide totals. Using the financial data filed annually by the hospitals, OHCA performs the calculations for the DSH program, in which $72,000,000 was disbursed in SFY 2003.

Free Care Funds

Patients at Connecticut's hospitals are treated regardless of their ability to pay, with the exception of non-emergent care such as elective and cosmetic surgery. Many hospitals administer indigent care and free bed funds that are made available for patients who meet the criteria requirements of the fund programs, which vary significantly among hospitals. With the passing of Public Act 03-266, each hospital will file annual information on Hospital Collection Agents with OHCA beginning in April 2004. In addition hospitals will file free care application information for FY 2004, beginning in March 2005.

Certificate of Need Program

Through the administration of the Certificate of Need (CON) program for hospitals and health care facilities, OHCA ensures service accessibility for citizens while regulating unnecessary duplication of services.

In 2003, OHCA issued 66 CON decisions, 121 CON determinations and 20 CON modifications. Figure 1, page 5, breaks down the CONs by type. The CON applications and determinations reflected major trends in the health care delivery system. Hospitals are taking innovative approaches to the delivery of services that are not revenue producers. Due to decreasing resources for services in behavioral health, OHCA reviewed several CONs for requests to realign, consolidate, or terminate these services in Connecticut. Inpatient services were terminated at BlueRidge Health Service’s Portland campus. In addition, several Letters of Intent (LOI) were received during 2003 for the transfer of outpatient services at area hospitals to other providers.

Another critical health planning issue facing Connecticut is the provision of enhanced cardiac services by community hospitals. In 2003 OHCA received four LOIs for the provision of primary angioplasty without open heart surgical backup, two of which were filed as CON applications. This trend is in response to a recent change in national professional standards for the provision of this service. OHCA also received two CON applications for the establishment of full service cardiac programs including primary angioplasty, elective angioplasty and open-heart surgery.

Several CONs were approved for the purchase of new technology for the performance of lithotripsy and hyperbaric oxygen therapy. These requests were the result of changes in the reimbursement allowed for such procedures. Hartford Hospital was authorized to purchase a robotic surgical system for the performance of minimally invasive surgery. With the increase in demand for endoscopy examinations, several CON applications were approved that either created new endoscopy suites or expanded existing ones.

One-third of the CON authorizations were for the acquisition of imaging equipment, including MRIs, CTs, and PETs (13) and non-clinical equipment, such as picture archiving systems and clinical and financial information systems. OHCA approved the purchase of $41,600,000 in imaging equipment and $25,000,000 in non-clinical equipment. Three hospitals received CON authorization for the upgrade of radiation therapy equipment.

Thirty-six CON determinations were processed as a result of the passing of Public Act 03-274, “An Act Concerning Outpatient Surgical Facilities.” Thirty facilities were granted an exception from the CON process; six were denied. Additional determinations processed included 29 for behavioral health and 16 for imaging equipment.

The agency has streamlined the application process by having the forms, final decisions and status reports available on the web site. Future web-based initiatives will better serve our constituents.

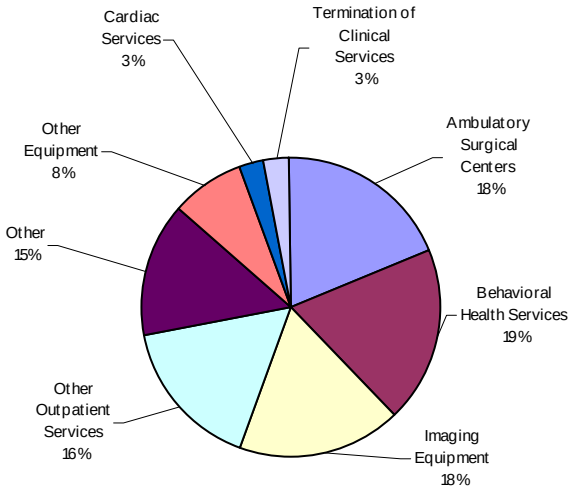
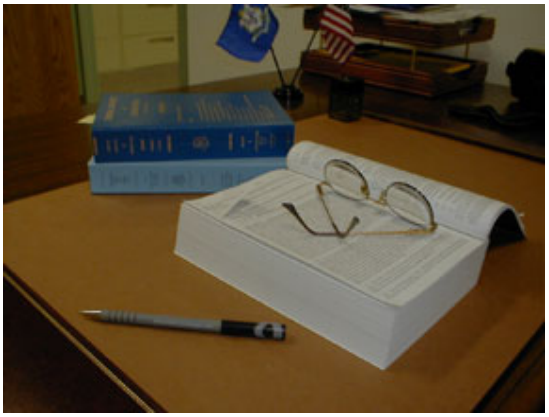


Figure 1. 2003 Certificates of Need and CON Determinations

LEGISLATIVE UPDATE

The Connecticut General Assembly's 2003 Legislative Session was a success for OHCA. A number of bills proposed by the agency and signed into law directly or indirectly help to improve upon Connecticut's health care delivery system. Specifically, Public Act 03-274 "An Act Concerning Outpatient Surgical Facilities" and Public Act 03-275, "An Act Concerning A Demonstration Project for Long Term Acute Care Hospitals" are two new laws the Office proposed at the outset of last year's legislative session to help ensure that the citizens of Connecticut have access to a quality health care delivery system.



Outpatient Surgical Facilities Public Act 03-274

To alleviate concerns regarding quality and patient safety, this act established certain licensing requirements and standards for outpatient surgical facilities that use moderate or deep sedation or moderate or deep analgesia, or general anesthesia. This act also created a task force to review laws and regulations governing outpatient surgical facilities. OHCA will continue to monitor the issues that surround outpatient surgical facilities and will support continued policy development in the 2004 legislative session. Surgical facilities not previously required to obtain CON authorization from OHCA will now be subject to CON requirements and will have until March 30, 2007 to obtain such authorization as a prerequisite to obtaining a license from the Department of Public Health

Long-Term Acute Care (LTAC) Public Act 03-275

This act authorized up to four demonstration projects permitting the creation of a distinct Long-Term Acute Care (LTAC) program within a short-term acute care hospital in order to study the quality of service, patient outcomes and cost-effectiveness of a "long-term care" hospital. These LTACs will be designed to serve patients who require long-term hospitalization in an acute care setting. These patients are primarily ventilator-dependent and/or have medical complications that require acute care services on a long-term basis but do not require all the resources of an acute care hospital and are not appropriate for placement in a nursing home. This law will ultimately allow hospitals to move long-term patients who are currently located in the Intensive Care Units (ICUs) to new and more appropriate long-term care units, and therefore make ICU beds available to other patients. Chronic disease hospitals may submit CON applications to obtain approval from OHCA to conduct the four LTAC demonstration projects authorized under this Act through January 1, 2005.

2003 SUMMARY

In 2003, OHCA provided expertise and leadership on a wide range of issues affecting Connecticut's health care: access to health insurance coverage, utilization of acute care services, financial challenges faced by hospitals, health planning, health system

development, and legislative initiatives. The agency continued to supply information to health care policy decision-makers and key stakeholders and provided a forum for discussions on innovative approaches to health policy issues and concerns.

LOOKING AHEAD

OHCA continues to assist policy makers and industry leaders wirh their ongoing efforts to both control costs and improve health care quality in Connecticut by collecting data and transforming it into meaningful and actionable information.

The State of Connecticut relies on its hospitals to treat all patients, regardless of their ability to pay, and it is OHCA's responsibility to assist the industry in creating ways to preserve access to affordable, quality health care.

Future issues regarding access that need to be addressed include:

- emergency department overcrowding;
- adequate access to behavioral health services;
- how hospitals will continue to approach the need to collaborate with other providers as required services strain their revenue stream (i.e., outsourcing, outpatient settings, etc.); and
- hospital restructuring of services and reconfiguring of inpatient bed capacity within our hospitals.

The principal mission of the Office of Health Care Access to ensure that the citizens of Connecticut have appropriate access to quality health care, the agency vision is to increase the value and utility of the data collected and become more involved with trending and forecasting future needs. This will foster forward-thinking planning methods that will supplement reporting of historical findings.

To find all reports mentioned in this Annual Report, visit OHCA's web site at www.ct.gov/ohca